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SUBJECT: DCM MEETS SUNNI LEADERSHIP ON HYDROCARBON  
LEGISLATION; TAWAFUQ ORCHESTRATING MASHADANI'S EXIT

REF: BAGHDAD 1956

Classified By: DCM DANIEL SPECKHARD, E.O. 12958, REASONS 1.4 (B) and (D)  
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11. (C) Summary: Deputy Chief of Mission Daniel Speckhard met separately with three Sunni leaders to enlist their support for the framework Hydrocarbon Law and the Revenue Management Law. The latter was due to be presented to the Council of Ministers (CoM) on June 26 (see para 19), with both laws hopefully reaching the Council of Representatives (CoR) soon after. Minister of Planning Ali Baban expressed reservations concerning the Production Sharing Agreement form of contract allowed by the framework agreement. The DCM warned that backtracking on the framework law would be especially troublesome since it had already passed the CoM. IIP Vice General Secretary and Member of Parliament Ayad S. Samurai linked passage of hydrocarbon legislation to constitutional reform, arguing that the issues are linked and the laws should be consistent with the constitution. IIP Member of Parliament Osama al Tikriti did not think the laws would encounter a problem in the CoR. He expressed reservations about the government's inability to implement them, linking this to a overall disenchantment with Maliki's inability to govern and unwillingness to accept advice or assistance from the broader spectrum of Iraqi politics. The DCM stressed that the law was favorable to the Sunnis, and to all Iraqis, and warned that delaying the law or passing it with monolithic opposition by all Sunni parliamentarians ran the risk of missing an opportunity for Iraq to both advance its hydrocarbon industry and show that it can handle difficult but necessary legislative initiatives. He also warned that failure to capitalize on this opportunity would make it difficult for coalition members to defend continuing to serve in Iraq if their efforts were viewed as propping up a non-viable government.

12. (C) The DCM also discussed with the two parliamentarians the state of play in dealing with CoR Speaker Mashadani. Both acknowledged that the consensus opinion in both Tawafuq and the CoR as a whole was that Mashadani has to go. Internal party negotiations centered around how to provide a face-saving exit and ensure Mashadani that he will formally retire as speaker and be granted a pension. Choosing a successor would also be a problem. End Summary

Baban Has Second Thoughts About Hydrocarbon Law

13. (C) The DCM met with Minister of Planning Ali Baban on June 24 to enlist Sunni support for the Hydrocarbon Law and Revenue Management Law. The DCM opened the meeting by saying we had studied the Minister's concerns and wanted to follow up on them, offering some ideas for how to address the issues of PSA's and contract approval by the Oil and Gas Council (FCOG) outside of changing the draft law. He added, the US believes that the Framework text should not be reopened as it

has already been approved in the CoM. Baban acknowledged that in his discussions with the PM, Maliki had taken much the same view of the contract approval process as did the US, but, Baban said, the Tawafuq front is simply suspicious of the Kurds, intent in using such vague language instead of a simple accept or reject formulation as the Shura Council had suggested. Baban added that his position was not to exclude PSA,s altogether but to define the terms of their use more narrowly. He said that Tawafuq,s position was that contracts should be approved by the CoM or CoR in addition to the FCOG but that he, Baban, was making technical arguments, and was speaking for possible political arguments that Tawafuq may ultimately bring. The DCM responded that the political reality is that US engagement in Iraq could be at a tipping point. If the hydrocarbon deal unraveled or was put off indefinitely - as re-negotiating the framework law would imply - then the prospects of sustained US engagement, which had done so much to ensure Sunni interests were protected in the hydrocarbon laws, would face very serious difficulties.

¶4. (C) Baban agreed but recalled that the Sunnis had been talked into agreeing to the Constitution by the US, only to discover that the document was seriously flawed. Tawafuq did not want to make that mistake again. The text of the oil law contained many "landmines" and it was better to clear the mines before the law is approved. Baban also noted that the Shura Council had struck the reference in the framework law to ensuring balance among Iraq,s communities in FCOG representation. The DCM undertook to check out that change since the US did not support any changes by the Shura Council that went beyond linguistic edits.

¶5. (C) Baban said he understood US concerns and that neither he nor Tawafuq sought to delay the legislation. He

BAGHDAD 00002146 002 OF 004

acknowledged that the deal on the laws could be lost altogether if there were delays and that that would not be in the interests of the Sunni. He noted there were still a couple of days till the Tuesday cabinet meeting and that we would have to see if understandings on some of the points at issue could be reached in the meantime. He reiterated that Tawafuq s position on the law could ultimately be different from his own, "technical" concerns. He suggested the DCM speak with Osama Tikriti Ayad Samarraai and Alaa Mekki to impress on these key IIP/Tawafuq members the importance the US attached to quick approval of the laws. The DCM stressed again that the Sunni community should recognize the strategic issues at stake for Iraq,s future and their own in the oil legislation, a point Baban recognized. To gain a fuller picture of the seriousness of Tawafuq,s opposition, the DCM and Econ MinCouns met with the Sunni politicians suggested by Baban.

Ayad S. Sammarai Links Hydrocarbon Legislation to Constitutional Reform

¶6. (C) On June 25, the DCM and EconMinCouns met with IIP Vice Secretary General and chairman of the CoR Financial Affairs

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Committee Ayad S. Sammarai to continue discussion of the hydrocarbon legislation. The DCM acknowledged that the laws were less than perfect, but stated that they capture the important elements that ensure all Iraqis will benefit equitably in the nation's oil wealth. He warned Sammarai not to make hydrocarbon legislation a political football, especially since the U.S. needs signs of progress in Iraq in order to justify our continued security support. He urged Sammarai to support the legislation, then use regulations to improve the law and ensure good implementation.

¶7. (C) Sammarai stated that at there are two schools of thought about the law. The first is nationalistic,

patriarchal view, which prefers all investment in the oil industry to be centrally controlled and limits outside assistance to service contracts. The second view is that Iraq needs big oil for political reasons, specifically to attract foreign direct investment. Sammarai added that the Sunnis' priority is to link hydrocarbon legislation to constitutional reform, a theme that he reiterated several times during the meeting. This would allow them to tell the people that the Hydrocarbon Law was in accordance with the Constitution.

¶18. (C) Sammarai said that he would prefer that the law establish the role of the regions more on an advisory basis. He did not have a problem with a regional company managing an oil field, but contracting should be centrally controlled. Returning to his favorite theme, Sammarai bluntly stated that if the United States wanted Sunni support on the Hydrocarbon Law, the Sunnis expected U.S. support on constitutional change. Sammarai added that some Sunnis believe that Massoud Barzani will oppose constitutional reform. They argue that the Sunnis should use the U.S. to pressure Massoud not to oppose constitutional reform, and that was why they needed more time.

¶19. (C) The DCM stated that we had pushed the Kurds thus far and would continue to work with them. He reiterated that it was important to move the Hydrocarbon Law and the Revenue Management Law to the CoR. He added that Barzani did not like parts of the Hydrocarbon Law, but we pressured the Kurds to find acceptable compromises. The DCM warned Sammarai that if he loses the opportunity to pass the law now, it may slip backwards.

¶10. (C) The DCM mentioned that we would appreciate Sunni support at the June 26 CoM meeting that would seek to approve the Revenue Management Law (see para 19). He stated that it would be a bad sign if the law went to the CoR with two factions supporting it and one against it. Sammarai asked how important it was for Baban to change his views. The DCM replied that Baban could voice his misgivings, but that in the end it was important for the CoM to approve the draft law with unity.

¶11. (C) Sammarai also said that there was a difference of opinion among Sunnis on state vs market control of oil. Econ MinCouns pointed out that the FCOG had a tremendous amount of discretion under the law. He added that the CoR debate could help everyone, as each party had something to offer and each could make its case. Sammarai acknowledged that this was a very valid point. He added, however, with one final shot at constitutional reform, that we were making the case for one law only, adding "What about other issues?"

BAGHDAD 00002146 003 OF 004

Osama al Tikriti Bemoans Sad State of Maliki Government

¶12. (C) Late on June 25 the DCM and Econ MinCouns met with IIP CoR member Osama al Tikriti. The DCM began by expressing condolences for the Mansour Hotel bombing earlier that day. Tikriti replied that it was far too easy to infiltrate an event and cause problems. Every day, Tikriti said, 25-35 bodies are found in the streets, sometimes tortured as well as slain, and nobody asks why. He said that the Sunnis wanted to help Maliki with security, to participate in the process and help analyze the problems. Tikriti said that Maliki declined. He added that Maliki simply wasn't strong enough for the times. He complained that Maliki, with the mentality of a member of an oppressed party, preferred to listen only to his own people and not broaden participation to incorporate Sunnis and Kurds into his inner circle.

¶13. (C) The DCM briefly summarized how the Hydrocarbon Law would meet Sunni priorities. First, it incorporated the

principle of all Iraqis sharing the benefit of hydrocarbon resources, including revenue sharing with provinces that have no discovered oil. Second, the FCOG would have diverse representation. Third, Production Sharing agreements (PSAs) were not mentioned specifically in the law, although they could be used where appropriate. On the other hand, the DCM said that some compromises with the KRG had been necessary, and the resulting law was acceptable if not perfect. The DCM stressed that it was necessary to send the hydrocarbon legislation to the CoR as soon as possible.

¶14. (C) Al Tikriti replied that the problem in Iraq is that the government is neither good enough nor strong enough to do its job. On the other hand, he said that he did not think the hydrocarbon legislation would have a problem in the CoR, although some Shia and Sunni's will oppose it. Tikriti personally agreed that the law should be passed now. He added that Baban did not agree with everyone, but Hashemi had said to back the law.

¶15. (C) Returning to his concerns about security, Tikriti said that the problem in the provinces was acute. People worried when their family members were seized by the government, but were less worried if they were seized by coalition forces. Tikriti said that everyone had agreed to fight against Al Qaeda, but that the government did not support them. Consequently, people were becoming afraid to fight AQIZ, which, 80% of the time, could simply move when pressured and return to retaliate later. He said that AQIZ would have to be totally eliminated or people will continue to fear them.

#### Mashadani's Swan Song

¶16. (C) Both Sammarai and Tikriti had been involved, prior to meeting with us, in party discussions on how to orchestrate a graceful departure for CoR Speaker Mahmoud Mashadani. One of the Speaker's bodyguards physically assaulted another CoR member on June 10 (reftel) leading to widespread calls for his removal. The CoR members said that everyone in parliament, in and out of Mashadani's party, agreed that he could no longer remain in the CoR. The discussions underway concern only the mechanism of his departure, with the Sunnis especially concerned that Mashadani be allowed to exit gracefully and that the party not appear to be giving in to pressure. The latter, according to Sammarai, is also a sensitive point with the Sunni public, even though the community does not view Mashadani as a leader.

¶17. (C) Mashadani has the option of resigning or retiring. He prefers retiring as Speaker, which may require legislation, since this will allow him to keep an 80% pension. While that part is probably doable, there is disagreement over letting Mashadani return, however briefly, to the CoR. He would like to return for several days and introduce the legislation which would allow his retirement, with a promise to leave afterward. Some parliamentarians oppose letting him return for anything more than a couple of hours. Both Sammarai and Tikriti said that members oppose a return of several days because they don't trust Mashadani to keep his promise to retire. Sammarai's personal opinion was that Mashadani always played games, and that he could not be trusted. Tikriti expressed personal unhappiness with Mashadani, adding that the Speaker has no respect for his position and should leave.

¶18. (C) Tawafuq, with internal divisions on this issue, had not decided on a candidate to replace Mashadani. Even the blocs within Tawafuq that originally backed Mashadani wanted him to go. They did not want to repeat their original

BAGHDAD 00002146 004 OF 004

mistake in naming the controversial Mashadani, but had no viable alternative. The DCM told Takriti that this was an

Iraqi issue, but hoped it could be resolved quickly so that it does not tie up the CoR and make it appear more ineffective.

Update

¶19. (C) Note: On June 26, we learned that PM Maliki, on the advice of DPM Barham Salih, decided not to send the Revenue Management Law to the CoM due to Tawafuq opposition. End Note.  
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